

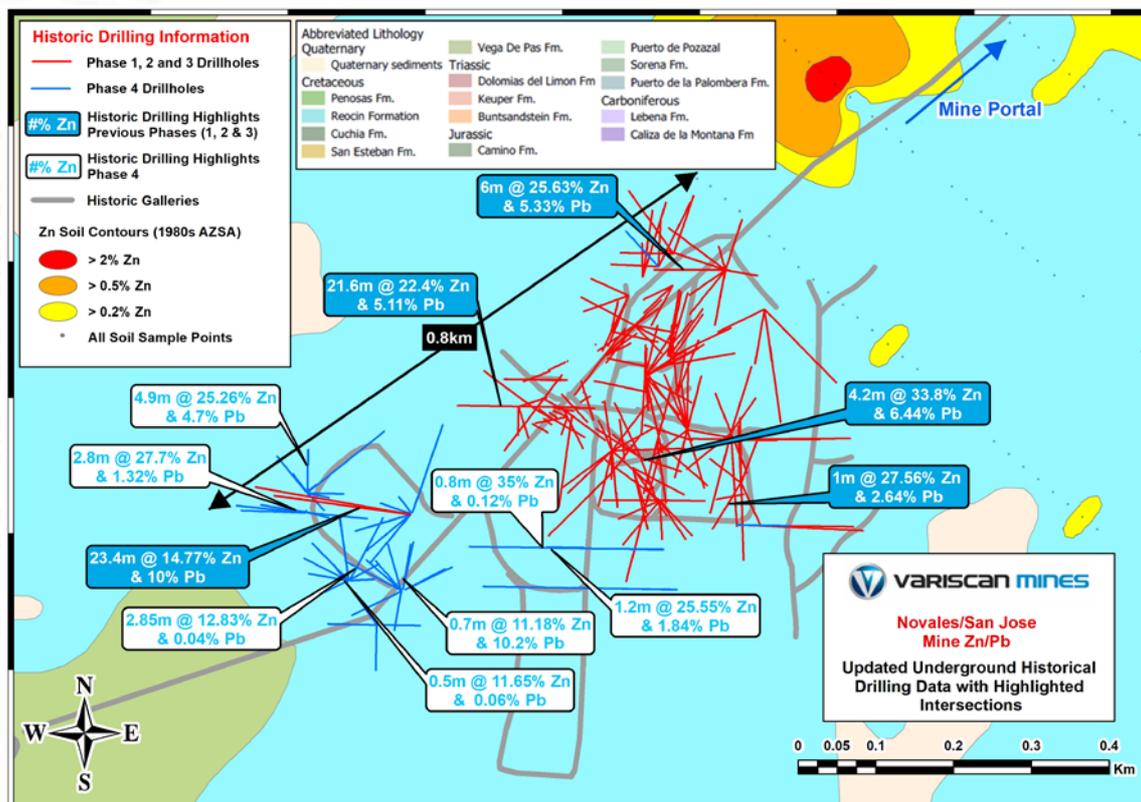


APPROVAL FOR DRILLING AT SAN JOSE MINE

Highlights

- Government of Cantabria granted approval for underground drilling at the San Jose-Novales underground mine;
- In advanced discussions with drilling contractors;
- Utilisation of historic drilling dataset collated of 332 underground drill-hole collars, for +25,600m for high-impact drill programme;
- Mineralisation still visible in target areas; and
- Mine is untested and open at depth with positive indications of dolomite; the host rock for zinc sulphide mineralisation at the San Jose mine; considerable exploration potential

Figure 1. Overview map of historic drilling data at the San Jose mine¹.



Variscan's Managing Director & CEO, Stewart Dickson said,

“We are very pleased to announce that the Government of Cantabria have approved our application to conduct underground drilling at the San Jose-Novales underground mine. The extremely valuable dataset

¹ The soil geochemistry contours in this map pertain to the historical soil sampling taken by AZSA along the Novales trend and further information can be found for this in the ASX Announcement of 12 August 2020

we have collated, and hope to expand, is informing and de-risking our drill planning at Novalesl. This will be further enhanced by the results of the recently completed underground survey. We are busy readying ourselves to commence drilling.”

Variscan Mines Limited ("**Variscan**" or the "**Company**" or the "**Group**") (ASX:VAR) is pleased to announce the Government of Cantabria has approved Variscan’s application to conduct underground drilling at the San Jose-Novales underground mine.

Variscan has successfully submitted a modified work program (*Plan de Labores*) with the Mines department in Santander, Cantabria in northern Spain. The submission of the work programme includes drilling targets proposed by Variscan and is required in accordance with the mining licence granted over the mine and surrounding tenements.

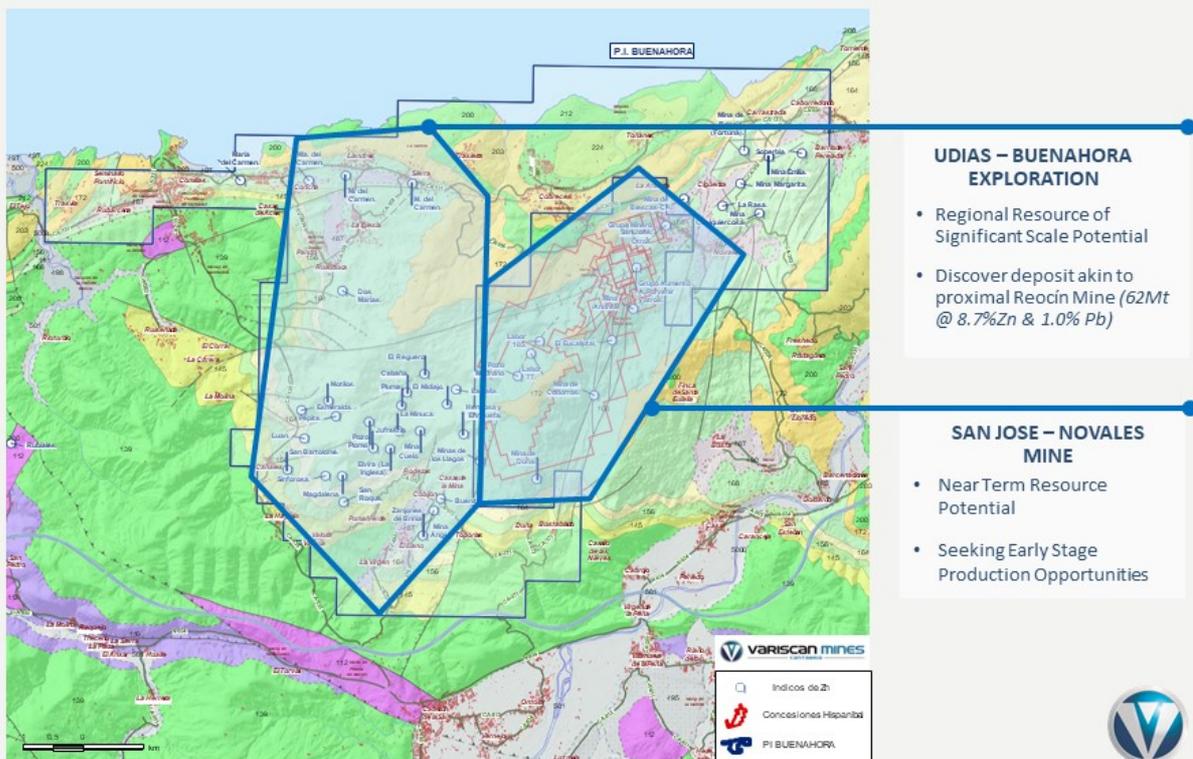
The Company has already tendered the drilling programme and is finalising the selection of local contractors to commence the drilling campaign. Preparatory logistics and administration are well advanced to support the programme and to ensure that the Company commences work quickly.

Next Steps

The Company is progressing with the execution of the 2-fold opportunity that the Novales-Udias project presents:

1. Seek near term zinc production opportunities at the San Jose-Novales Mine
2. Strategy to define a regionally significant mineral resource over the Buenahora licence akin to the former producing and proximal Reocín Mine

STRATEGY: 2-FOLD OPPORTUNITY



Near-term actions to deliver these strategic objectives:

San Jose - Novales Mine

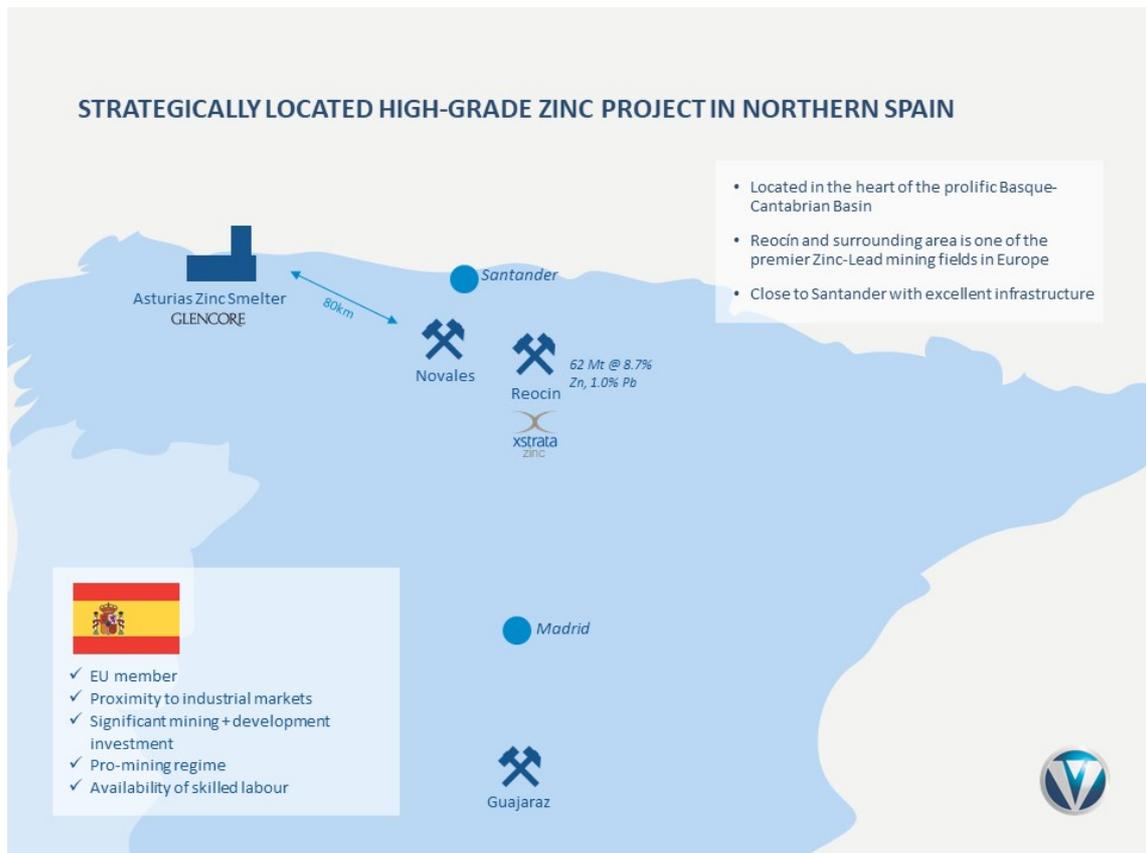
- Expansion of significant historical drillhole database;
- Development of the geological model;
- Underground 3D laser survey is currently completed and being processed;
- Development of an Exploration Target in accordance with JORC 2012 accounting for underground depletion using laser survey;
- New underground channel sampling;
- Confirmatory underground geological mapping;
- Refinement of drill targets to test unmined mineralisation identified; and
- Drilling campaign

Udias – Buenahora Exploration Tenement

- Report remaining infill soil sample results;
- Continue with the processing of historic data;
- Development of drill targets; and
- Drilling campaign

Other activities

In support of the above activities, Variscan are continuing to develop environmental, social and governance initiatives.



Project Summary

The Novales-Udias Project is located in the Basque-Cantabrian Basin, some 30km southwest from the regional capital, Santander. The project is centred around the former producing Novales underground mine with a large surrounding area of exploration opportunities which include a number of satellite underground and surface workings and areas of zinc anomalism identified from recent and historic geochemical surveys which include anomalies up to 2km long and close to 1km wide and up to 17% Zn.

Significantly, the Novales-Udias Project includes a number of granted mining tenements (refer ASX announcement dated 29 July 2019).

Novales-Udias Project Highlights

- Near term zinc production opportunity (subject to positive exploratory work)
- Large tenement holding of 68.3 km² (including a number of granted mining tenements)
- Regional exploration potential for another discovery analogous to Reocin (total past production and remaining resource 62Mt @ 8.7% Zn and 1.0% Pb²³)
- Novales Mine is within trucking distance (~ 80km) from the Asturias zinc smelter
- Classic MVT carbonate hosted Zn-Pb deposits
- Historic production of high-grade zinc; average grade reported as ~7% Zn⁴
- Simple mineralogy of sphalerite – galena – calamine
- Mineralisation is strata-bound, epigenetic, lenticular and sub-horizontal
- Reported historic production of super high grade ‘bolsas’ (mineralised bags) commonly 10-20% Zn and in some instances +30% Zn⁵
- Assay results of recent targeted grab samples taken from within the underground Novales Mine recorded 31.83% Zn and 62.3% Pb⁶
- Access and infrastructure all in place
- Local community and government support due to historic mining activity

ENDS

This announcement has been authorised for issue by Mr Stewart Dickson, Managing Director & CEO, Variscan Mines Limited.

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² Velasco, F., Herrero, J.M., Yusta, I., Alonso, J.A., Seebold, I. and Leach, D., 2003 - Geology and Geochemistry of the Reocin Zinc-Lead Deposit, Basque-Cantabrian Basin, Northern Spain: in Econ. Geol. v.98, pp. 1371-1396.

³ Cautionary Statement: references in this announcement to the publicly quoted resource tonnes and grade of the Project are historical and foreign in nature and not reported in accordance with the JORC Code 2012, or the categories of mineralisation as defined in the JORC Code 2012. A competent person has not completed sufficient work to classify the resource estimate as mineral resources or ore reserves in accordance with the JORC Code 2012. It is uncertain that following evaluation and/or further exploration work that the foreign/historic resource estimates of mineralisation will be able to be reported as mineral resources or ore reserves in accordance with the JORC Code 2012.

⁴ Anecdotal evidence from original Novales miners interviewed during the WAI Due Diligence supported with historical production data from the School of Mines in Torrelavega historical archives. (Refer ASX release 29 July 2019)

⁵ Anecdotal evidence from original Novales miners interviewed during the WAI Due Diligence. In addition, reports of the super high grade mineralisation are supported with historical production data from the School of Mines in Torrelavega historical archives. (Refer ASX release 29 July 2019)

⁶ Refer to ASX Announcement of 19 December 2020

Notes

Variscan Mines Limited (ASX:VAR) is a growth oriented, natural resources company focused on the acquisition, exploration and development of high quality strategic mineral projects. The Company has compiled a portfolio of high-impact base-metal interests in Spain, Chile and Australia.

The Company's name is derived from the Variscan orogeny, which was a geologic mountain building event caused by Late Paleozoic continental collision between Euramerica (Laurussia) and Gondwana to form the supercontinent of Pangea.

Competent Person Statement

Where the Company refers to the previous ASX Announcements relating to the Novales-Udias Project, and the historic exploration results and production data previously advised to the ASX, it confirms that it is not aware of any new information or data that materially affects the information included in that market announcement.